

Learning Goal #2: Understanding Financial Principles Rubric (MS-Finance)

Topic	<i>Understanding financial principles</i>		
Learning objective	Unsatisfactory	Satisfactory	Exceeds requirements
Time Value of Money	Has trouble developing present or future values of non-constant cash flow streams.	Can develop present and future values from calculator or tables.	Can develop future and present values without calculator or tables.
Stock and Bond Valuation	Has trouble with valuation.	Can competently value stocks or bonds when given streams of dividends, earnings, or interest payments.	Can apply duration and convexity measures to stock and bond valuation. Can value complex fixed income securities.
Cost of Capital	Has trouble estimating component costs.	Can estimate component costs and resulting WACC.	Can validate cost of capital estimate from different approaches.
Determinants of capital structure	Has trouble with the non-linearity of benefits of debt and equity; believes that debt is always cheaper.	Understands tradeoffs in arriving at capital structure.	Understands components of tradeoffs and the pecking order of capital structure.
Dividend Policy	Believes the “bird in hand” fallacy that investors always prefer dividends to capital gains.	Understands the market imperfections and information effects on dividend policy.	Can relate dividend policy to financial strategy.
Portfolio Theory and Risk Analysis	Understands basics of risk and return.	Understands the contribution of asset risk to portfolio risk.	Can apply complex statistical measures in risk estimation.
Option pricing	Doesn't understand and cannot apply Black-Scholes model.	Understands and can apply Black-Scholes model.	Can relate option pricing to other risk measures.
International Finance	Can't apply purchasing power parity.	Understands and can apply purchasing power parity.	Understands interaction of interest rates, inflation rates, and productivity on exchange rates.